

Fiscal Year 2002 - 3rd Quarter Report
University of Delaware
Period of Coverage: April 1 - June 30, 2002

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A. PREVIOUS REPORT UPDATE

During the reported period, UD/FLAG continued its assistance to private Bulgarian enterprises by providing a series of in-country training offerings on financial management and business development topics and by offering finance facilitation and business planning consulting services. UD/FLAG continued to assist the United Bulgarian Bank (UBB) in utilizing USAID's Micro Enterprise and Small Business Loan Portfolio Guarantee, which is aimed at mobilizing credit for SMEs through the formal financial sector in Bulgaria.

B. MAJOR IMPLEMENTATION ACCOMPLISHMENTS

TRAINING

Financial Management & Analysis E-Learning Course, October 2001 - June 2002

During the period under review, two regular in-class sessions were held covering topics such as company analysis, debt valuation and international finance. Three additional in-class sessions were held focusing on topics and problems of special interest to the participants. The results of the two intermediate examinations showed the high level of the trainees' performance. The course ended with final examinations held on May 19th and June 2nd, respectively, for the English and the Bulgarian language groups. Eighty-six participants from 51 private Bulgarian businesses took part in the course with 54.65% of the participants successfully passing the final exam. Thirteen of them took the CFA Level I exam offered by AIMR.

A final evaluation of the course's strengths and weaknesses showed that 88% of the participants found the course useful. 80% stated that the course met their expectations. 75% of the trainees declared they would recommend the course to friends and colleagues. 83% of the trainees indicated they would like to receive information and participate in other UD/FLAG training programs.

Financial Management & Analysis Long Term Distance Learning is based on the CFA (Chartered Financial Analyst) Program body of knowledge and helps the staff of export-oriented firms become more successful by giving them a better understanding of the most widely used techniques in finance. This, in turn, helps them to make better investment decisions, locate capital, reduce costs, and increase profits. The training contributes to an increased knowledge of global financial principles and of International Accounting Standards, ultimately allowing course graduates to operate more competitively in regional and global markets.

Cost Accounting Course, April - June 2002

This quarter, UD/FLAG offered 12 in-class cost accounting sessions, covering topics including cost volume profit analysis, job costing, activity-based costing and management, master budget and responsibility accounting, inventory costing and capacity analysis, pricing decisions and cost management. 75% of the trainees successfully passed the mid-term exam. At the beginning of July, the participants were to present their group projects. A final examination was scheduled for July 17 and would be followed by a detailed course evaluation.

Introduction to International Accounting Standards Course

UD/FLAG offered a course in International Accounting Standards in Sofia, April 22 - 27. Twelve representatives from 11 export-oriented companies participated in the course. The final evaluation showed that 83% of the participants found the course very useful and 66% of them rated the overall program as very good.

The course introduced the International Accounting Standards framework and concepts. The training was targeted toward leading Bulgarian companies and aimed to increase their compliance with international financial and accounting standards and ability to satisfy external-reporting requirements. The training also sought to help companies adopt IAS for the purpose of achieving comparability across different industry sectors and countries, and to give them a competitive advantage.

Business Planning Seminars

UD/FLAG organized two seminars in Business Planning in Sofia, June 7 and 10. The seminars trained 55 representatives of 31 export-oriented companies and seven NGOs. The instructors for the seminar were UD/FLAG consultants John Stocker, Ilian Komitski and Kevork Marashlyan. Clients came from the following FLAG priority clusters: cosmetics, baking, canned fruits and vegetables, pharmaceuticals, information technology, chemicals, telecommunications, machine building, and wood processing. Seminar participants' offered positive exit evaluations. Clients were satisfied with the content and overall quality of the seminar. 84% of the participants reported that the seminars were very useful for them; 92% said that the training met their expectations.

UD/FLAG Business Planning Training Outreach helps companies to understand the tools and techniques of planning and how to attract outside financing. The seminar presents the elements that comprise a sound business plan including how to identify company strengths, overcome inherent weaknesses, and forecast business financial requirements. The training explores basic financial ratios and pro-forma financial statements and discusses the importance of the business plan for obtaining financing, credit lines, and raising capital.

Competitive Intelligence Seminar

On June 14 in Sofia, UD/FLAG organized a seminar in Competitive Intelligence. Ten representatives of eight export-oriented companies participated in the training. Instructors were Alexander Pazderski and Viktor Manev, presenter at the Competitive Financial Intelligence

Conference in Chicago, June 2002. Clients represented the following FLAG priority clusters: pharmaceuticals, IT/software, and media and communications. Seminar participants provided positive exit evaluations - 70% reported that the seminar was very useful to them and 60% said that the training met their expectations.

The seminar explored Competitive Intelligence as a systematic and ethical program for gathering and analyzing information about competitors' activities and general business trends as a means of furthering company goals. It introduced trainees to CI fundamentals, tools and techniques and the basics of their practical implementation. Topics included the following: CI fundamentals, tasks of CI, the axioms of CI, the intelligence cycle, intelligence tools & techniques, CI information sources, and recommendations regarding information gathering.

Export Promotion Seminar

UD/FLAG delivered a seminar on Export Promotion, June 20 - 21. It brought together eight participants from six export-oriented companies in the fields of chemicals, services, wood processing, glass-ware, and consulting. The trainees had the opportunity to expand their knowledge and acquire new skills in foreign markets development and competitive strategies. 75% of the trainees considered the training very useful. The instructor was Georgi Ivanov, Ph.D. in Mass Communications and International Marketing.

Export Promotion and Competitive Strategies Training Outreach helps companies achieve improved capacities to export products, increased competitiveness in foreign markets, and better understanding of international trade principles. Seminar topics include the following: foreign markets and partners, marketing research and competition investigation, intermediaries, strategic positioning in foreign markets, information gathering and analysis, marketing and sales plans and strategies, distribution and networking, direct sales, and market analysis.

Financial Modeling with Excel

UD/FLAG delivered a seminar on Financial Modeling with Excel on June 28. Twenty-two participants from 16 Bulgarian companies participated in the training. Clients represented the following FLAG priority clusters: agribusiness, telecommunications, IT, machine building, textile, cosmetics, and export-oriented cooperatives. The instructors were UD/FLAG consultant John Stocker and Ivailo Avramov. The seminar evaluation showed that 57% of the participants found the training very useful.

Financial modeling is one of the most powerful and widely used concepts available to senior managers for improving the odds of making good business decisions. Further, the increase of computational power of personal computers in recent years has brought the advantage of fairly sophisticated financial models within reach of most businesses. The following topics were explored: financial statement modeling, the data analysis "tool pack", and using solver for linear programming optimization. This seminar is designed for senior level management, analysts, and accountants who have a good understanding of accounting, corporate finance, quantitative methods, and Excel.

BUSINESS PLANNING

UD/FLAG assisted Meat Products – Manolov, a Vidin-based medium-sized meat processor, in the development of a business plan for attracting outside financing of \$180,000, in compliance with SAPARD requirements. The company is engaged in production of a wide range of meat products. Currently, the firm is envisioning an expansion of its product range and bringing its whole operation in line with EU production quality standards. It is planning to achieve this challenging goal in three major phases by 2003. The first phase will involve the expansion of the production facility and the introduction of new machines and groups of products. This project will help the client reduce costs by 25%, introduce 32 new products, and generate 20 new jobs.

FINANCE FACILITATION

UD/FLAG is providing consulting to SP Vikon for the preparation of a business plan for a \$70,000 investment loan. The company is developing a recreation site in Sofia with a dining area and outdoor swimming pool. UD/FLAG assistance is provided under the UBB/LPG arrangement.

UD/FLAG is providing consulting to SP Rubin for the preparation of a business plan for a \$75,000 investment loan. The company, which is a representative service station garage of Mitsubishi Motors, is building a new facility that will allow an upgrade of service quality and an increase in revenues. UD/FLAG assistance is provided under the UBB/LPG arrangement.

UD/FLAG is assisting SP Conireklam Commerce in its efforts to renovate a hotel in the town of Nova Zagora. The company is running a three-star facility valued at \$350,000 and has applied for an investment loan. UD/FLAG is assessing short-term bridge financing of \$65,000 which could allow the company to complete renovation works as scheduled.

UD/FLAG is helping Bulgarian Sugar, Dolna Mitropoliya to obtain financing of \$1 million for the acquisition of 465,519 shares, representing 64.82% of the company's capital. The factory has been operating since 1929. It was nationalized in 1948 and then went through a reconstruction in 1978, when a new line for processing sugar beet with a capacity of 3,000 t/hr was installed. In 1985, another technological upgrade took place and the capacity for processing sugar beet was increased to 6,000 t/hr. Sugar beet was processed for the last time at the facility in 1992. In 1983, the factory started parallel processing of raw sugar cane with a production capacity of 550t per 24 hr cycle. Up to now, approximately \$65 million has been invested in the facility. After the mass privatization, the state-owned share in Bulgarian Sugar Factory fell to 14.5%. The factory produces two major types of market items: refined sugar (from raw sugar cane) and sugar products. The financing will allow for its ownership consolidation, which should improve the company's management and operations.

UD/FLAG assisted Rolli Ltd. in obtaining \$12,000 in short-term financing. The company offers a wide range of information services and is developing a new Internet-based portal. The financing

will allow Rolli Ltd. to improve its products and increase its client base.

CONSULTING

UD/FLAG is consulting for the VOINKO Consortium, consisting of the private businesses of retired Bulgarian military personnel, and aiding in their preparation of strategic and marketing plan. UD/FLAG is also working on a needs assessment aimed at identifying the current need for skill sets training and retraining of employees in the consortium. VOINKO's major activities include the recycling of surplus military equipment for metals. It employs over 1,500 former military personnel released from the military for medical reasons or as a result of personnel reduction. The project has a great potential for creating new jobs for former Bulgarian military workers. As a result, close to 5,000 jobs are expected to be generated within one year.

UD/FLAG provided consulting services to briquettes producer ArtPro Ltd. to help it obtain a BGL 120,000 investment loan. Consulting also was provided to Radoslav Hristov, Bulgarian Association of Martial Arts, to assist in the securing of BGL 250,000 financing for the construction of a new sports complex. Pavel Marinov, IFEDC, was helped to obtain BGL 200,000 for a wood-processing factory in Tryavna.

C. CONTRIBUTION TO TARGETS

- women owned business - 0
- women managed business - 0
- female employees - 184

IR 1.3.2.1 Improved Business Performance of Private Sector Association Members			
INDICATOR	BASELINE	RESULT	RATIO
1. Export increase in assisted priority industry clusters.	N/A	N/A	N/A
2. Value of linkages in assisted priority industry clusters.	N/A	\$192,000	N/A
3. Growth in employment in assisted target firms (Jobs created and retained)	62	20	N/A
4. Domestic sales increase in assisted priority industry clusters.	\$106,533	\$10,000	N/A
5. Improved competitiveness and efficiency of target industry clusters measured by increased sales per employee ratio.	\$1,718	\$3,763	N/A
6. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.	N/A	N/A	N/A
TOTAL NUMBER OF PROJECTS COMPLETED:	TOTAL NUMBER OF VOLUNTEERS / TRAINERS PROVIDED:	TOTAL NUMBER OF BUSINESSES IMPACTED:	
17	11	153	

NOTE: All of the above data is subject to Evaluation Committee verification.

D. FORECAST FOR NEXT QUARTER

UD/FLAG, jointly with the Bulgarian Hotel and Restaurant Association, will organize a tourism conference titled *First Virtual Conference on Tourism – Bulgaria's Priority Sector*, on July 17 at the Hilton Hotel. The main objectives of the event are to outline the economic challenges facing the Bulgarian tourism and hospitality industry, examine ways of attracting foreign and domestic investment, and discuss issues relating to interaction and cooperation among state regulatory institutions, NGOs, and private tourism businesses.

UD/FLAG will continue its on-going finance facilitation, business planning, consulting services and training offerings. The following trainings are part of our commitment for the next quarter:

Cost Accounting Course

In July, three in-class sessions will be held, covering topics on cost allocation, revenues, sales variances, customer profitability analysis, inventory management, just-in-time management and back-flush costing. A group project is due on 3 July. The final examination will be held on 17 July, followed by detailed course evaluation.

Inventory Management Seminar

On 5 July, UD/FLAG will organize a seminar in Inventory Management. Instructors will be Dimitar Tenchev, Ph.D. in Quality Management and Logistics, and UD/FLAG consultant John Stocker, Ph.D. in Finance. Effective inventory management allows a distributor to meet or exceed customers' expectations of product availability, which maximizes the firm's net profits. This seminar will assist companies to improve customer service, reduce inventory costs, increase productivity, and achieve ISO quality standards, ultimately helping them to integrate their operations into the EU market.

Budgeting Seminar

UD/FLAG will organize a seminar in Budgeting on 12 July. The seminar instructors will be UD/FLAG consultants John Stocker, Ph.D. in Finance, and Ilian Komitski, MBA. Budgeting is a core enterprise management system as budgets are concrete statements of strategies and plans in dollar terms. Yet, budgets and budgeting continue to be a source of confusion and frustration to most non-financial professionals. The target group of professionals includes managers and experts who use budgets in their daily work as part of the planning process.

Attachment A**IR 1.3.2.1 Improved Business Performance of Private Sector Association Members**

Indicator # 1. Export increase in assisted priority industry clusters.

Indicator # 2. Value of linkages in assisted priority industry clusters.

Indicator # 3. Jobs created and retained. (Employment generated in assisted priority industry clusters.)

Indicator # 4. Domestic sales increase in assisted priority industry clusters.

Indicator # 6. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.

1.

a. Meat Products – Manolov, Meat Processing, STTA

b. Kevork Marashlyan, Albena Antonova

c. Business Plan Preparation

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #6
1. Exports:	N/A	N/A	\$180,000	20	\$10,000	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	62					
4. Domestic sales:	\$106,533					
6. Introduction of international industry standards (list them).	N/A					

Attachment B
FLAG Coordination
Administrative Services Division

1. ASD continued to provide FLAG member organizations with database-derived monthly Implementation Status Reports and quarterly Client Baseline Reports.
2. ASD has assisted the activities of the Tracking, Follow-on and Evaluations Committee by providing reports on FLAG clients due for three, six and twelve month evaluations and by generating Evaluations Committee database-programmed quarterly reports.
3. ASD published on a monthly basis the FLAG Newsletter and distributed it to FLAG member organizations, other USAID funded partners, major clients, RDAs and local strategic partners.
4. ASD continued to provide maintenance and monthly update of the FLAG web site.